

Message Text

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11

ACTION EB-11

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E. O. 11652: N/A

TAGS: EXIM, ETRD, ENRG, DM, US

SUBJECT: DAHOMEAN PETROLEUM REFINERY

DEPT PASS EXIM BANK

1. GUY MISRAHI, DIRECTOR OF LITWIN LIMITED, TOLD US CONFIDENTIALLY JUNE 16 THAT INVESTMENT CODE CONVENTION WAS SIGNED PREVIOUS DAY WITH MRGD, AND THAT LITWIN HOPED TO SUBMIT ITS FORMAL RESPONSE TO EXIM'S PRELIMINARY COMMITMENT BY END JUNE. WHILE WE DO NOT HAVE DETAILS OF FINANCIAL PACKAGE LITWIN IS PUTTING TOGETHER, MISRAHI AND HIS MANAGING DIRECTOR, DOLL-STEINBURG, TOLD US IN EARLIER CONVERSATIONS THAT THEY HOPED CONCLUDE IN NEXT FEW DAYS NEGOTIATIONS WITH BANQUE NATIONALE DE PARIS WHICH IS DEFINITELY INTERESTED IN FINANCIAL PARTICIPATION AND LAST WEEK EXPRESSED CONFIDENCE IN FEASIBILITY OF PROJECT.

2. MAIN PROBLEM LITWIN FACES WITH EXIM OFFER IS \$5 MILLION EQUITY REQUIREMENT PLACED ON BORROWER, A CONDITION THEY CONSIDER VIRTUALLY IMPOSSIBLE TO MEET. IN LOOKING INTO OTHER LONG TERM FINANCING POSSIBILITIES IN EVENT THEY CANNOT NEGOTIATE SATISFACTORY TERMS WITH EXIM, LITWIN TELLS ME THEY HAVE A PRELIMINARY COMMITMENT FROM UK EXPORT CREDIT GUARANTEE DEPARTMENT WHICH IS PREPARED ACCEPT A CAPITALIZATION (AS DISTINCT FROM PURE EQUITY REQUIREMENT) OF \$3 MILLION, AND OF THIS YHM ONLY 60 PERCENT NEED BE EQUITY WITH BALANCE A DEBENTURE. ACCORDING LITWIN, THIS WOULD GIVE

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SUFFICIENT FLEXIBILITY TO CONCLUDE FINANCIAL ARRANGEMENTS WITHOUT DISTURBING AGREEMENTS ALREADY CONCLUDED WITH MRGD ON THIS PROJECT. THIS BEING SAID, LITWIN RELUCTANT USE UK EXPORT CREDIT FINANCING AS THEY DO NOT HAVE ENGINEERING OFFICE IN UK. THIS WOULD MEAN DOING DESIGN AND OTHER WORK IN U. S. WHILE PURCHASING ALL EQUIPMENT IN UK - A MORE EXPENSIVE OPERATION BECAUSE OF DIFFICULTIES OF TRANS ATLANTIC COORDINATION.

3. FROM OUR POINT OF VIEW, EXIM FINANCING WILL MEAN SALE OF US GOODS AND SERVICES IN AMOUNT OF \$1 3 MILLION; IF UK FINANCING USED, EXPORT BENEFIT TO US WILL BE LESS THAN \$1 MILLION. TIED UP WITH FIANANCING DEAL WILL BE LONG TERM OFFTAKE CONTRACT FOR LOW SULPHUR FUEL OIL (WHICH WILL BE SURPLUS TO DAHOMEY' S NEEDS). IF US EXPORT CREDIT USED, THIS FUEL OIL, WHICH IS IN SHORT SUPPLY, WOULD PROBABLY GO TO U. S. IF U. K. EXPORT CREDIT USED, IT MIGHT END UP IN U. K.

4. IN VIEW FOREGOING, I BELIEVE IT HIGHLY DESIRABLE US CREDIT BE MADE AVAILABLE FOR IMPLEMENTING THIS REFINERY PROJECT, AND THEREFORE HOPE EXIM WILL OFFER TERMS FOR PROJECT WHICH WILL PERMIT LITWIN TO RECOMMEND THEM TO THE DAHOMEAN GOVERNMENT.
ANDERSON

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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